

HONG LEONG BANK ANNOUNCES FY2022 RESULTS: STRONGER BUSINESS PERFORMANCE ON POSITIVE ECONOMIC RECOVERY AND SOUND FUNDAMENTALS

Kuala Lumpur, 30 August 2022 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the financial year ended 30 June 2022 (“FY2022”).

- ✦ ***Net profit after tax for FY2022 improved 15.0% year-on-year (“y-o-y”) to RM3.3 billion.***
- ✦ ***Gross loans and financing maintained strong growth trajectory, expanding by 8.0% y-o-y to RM168.2 billion.***
- ✦ ***Solid asset quality as reflected by a Gross Impaired Loan (“GIL”) ratio of 0.49% and strong loan impairment coverage of 211.8%.***
- ✦ ***Capital and liquidity positions remained robust with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 13.4%, 14.5% and 16.7% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were prudently managed at 83.5% and 145.2% respectively.***
- ✦ ***Financial inclusion remains our key priority as we are committed to help clients in their recovery journey via various financial assistance.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “Despite the ongoing macroeconomic headwinds from geopolitical tensions, globally elevated inflation and resurgence of COVID-19 cases, Malaysia is well positioned for a continued recovery of economic activities underpinned by the consumption spending and recovery in business investment. Alongside the strong external demand and reopening of international borders, we have seen a much stronger demand for loan/financing from our clients.

We remain agile and adaptive in this challenging business backdrop and remain focused in executing our strategic priorities and capturing business opportunities to deliver sustainable outcomes for our stakeholders. Accordingly, we have achieved a commendable set of results for our financial year as net profit after tax improved 15.0% y-o-y to RM3.3 billion led by our solid loan/financing growth, tight cost controls, lower loan impairment allowances and robust contributions from our associates. Consequently, ROE has improved to 10.9% for the financial year.

Our gross loans and financing portfolio grew 8.0% y-o-y to RM168.2 billion, backed by expansion in our mortgage, SMEs and corporate business segments as we remained resolute in extending various financial assistance to our clients to ensure business requirements are met seamlessly. Concurrently, we place strong emphasis in our credit underwriting process as evidenced by a solid overall GIL ratio of 0.49%, with a sufficient loan impairment coverage of 211.8%.”

Stronger Business Performance

- *Total income* for FY2022 recorded a 2.4% y-o-y growth to RM5,597 million, underpinned by higher net interest income but was negated by a lower non-interest income contribution against the continued unfavourable market conditions.
- *Net interest income* for the quarter ended 30 June 2022 (“Q4FY22”) improved 1.7% y-o-y to RM1,159 million led by solid loan/financing expansion and our continuous efforts in optimising funding costs. Accordingly, for FY2022, net interest income was 7.2% higher y-o-y at RM4,618 million. This translates into a *net interest margin (“NIM”)* of 2.14% for FY2022.
- *Non-interest income* for FY2022 was compressed at RM979 million with a non-interest income ratio of 17.5%, mainly attributed to lower disposal gains on investment securities. This was alleviated by stronger income stream from wealth management and credit card fees as consumer sentiment improved coupled with the recovery in retail spending activities.
- *Operating expenses (“opex”)* for FY2022 inched higher to RM2,098 million, as we tightly managed our expenses across the quarters. Accordingly, the *cost-to-income ratio (“CIR”)* was commendable at 37.5%.
- Correspondingly, *operating profit after allowances* for FY2022 improved by 22.0% y-o-y to RM3,336 million, and profit before tax up 25.8% to RM4,367 million.

Commendable Growth in our Loans/Financing Portfolio

- *Gross loans, advances and financing* maintained a commendable growth trajectory, expanding 8.0% y-o-y to RM168.2 billion, driven by expansion in our key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth of 6.7% y-o-y continued ahead of the industry growth rate of 5.7% y-o-y.
- *Residential mortgages* are 6.8% higher y-o-y at RM82.4 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* also gained traction and expanded by 5.3% y-o-y to RM17.7 billion in line with higher automotive vehicle sales as a result of the vehicle sales tax exemption.
- *Domestic loans to business enterprises* increased 13.3% y-o-y to RM55.2 billion, whilst our support of SMEs saw this loan/financing portfolio grow 15.7% y-o-y to RM30.1 billion. The Bank’s community banking initiative, within the SME segment, continue to maintain solid growth of 17.0% y-o-y, attributed to the seamless banking experience provided to customers via our strong commitment in technologies and innovation. Concurrently, we ensured various financial assistance was provided to those customers needing financial assistance during the recovery phase.
- Loans and financing from overseas operations grew 27.3% y-o-y, backed by strong y-o-y growth of 39.3%, 32.0% and 23.2% in Vietnam, Cambodia and Singapore respectively.

Healthy Funding and Liquidity Position

- The Bank's healthy funding and liquidity positions enable us to continuously capture valuable business opportunities that deliver sustainable outcomes to our stakeholders. Our LDR and LCR were comfortably positioned at 83.5% and 145.2% respectively.
- *Customer deposits* for FY2022 rose by 7.6% y-o-y to RM197.3 billion, with *CASA* expanding 11.5% y-o-y to RM66.1 billion which uplifted the *CASA* ratio to 33.5% from 32.3% a year ago. Our robust deposit base is a result of the Bank's effective cash management offerings and improved cross-selling efforts.
- The Bank's funding base remained stable as bolstered by an established individual deposit portfolio, which grew 6.0% y-o-y to RM99.4 billion, representing an individual deposit mix ratio of 50.4%.

Asset Quality and Capital Positions Remained Solid

- Asset quality position of the Bank remained solid with a stable *GIL ratio* of 0.49% whilst *loan impairment coverage ("LIC") ratio* as at 30 June 2022 was higher y-o-y at 211.8%. Inclusive of the provisions made and the value of securities held on our *GIL*, the Bank's *LIC* ratio comfortably stood at 281.8%.
- Capital position of the Bank is healthy with *CET 1*, *Tier 1* and *Total Capital ratios* at 13.4%, 14.5% and 16.7% respectively as at 30 June 2022.

Regional Contribution

- International operations accounted for 26.1% of the Bank's pre-tax profit in FY2022, primarily driven by the robust contribution from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 40.5% y-o-y to RM1.0 billion in FY2022, representing 23.2% of the Bank's pre-tax profit.

Dividend

- The Board has declared a final dividend of 37.0 sen per share, bringing the total dividend to 55.0 sen per share for FY2022, with a dividend payout ratio of 35%.

Customer Assistance

Throughout FY2022, HLB continue providing its Payment Relief Assistance Programme ("PRAP") for customers affected by the pandemic and maintained a 100% approval rate for eligible applications, with assistance totaling RM35.4 billion for close to 188,000 individuals, SME, and corporate customers. Concurrently, we provided six-month loan, financing and credit card payment deferment for flood-affected customers, and financing for working capital for SMEs and microenterprise customers.

Environmental, Social & Governance (“ESG”)

Mindful of the Bank’s role in constantly innovating to build solutions and providing customers and the community with the path to sustainable banking options, the Bank provided business customers wanting to install small-scale solar photovoltaic (“PV”) systems with easy access to sustainability-linked financing via HLB SME Solar Financing.

For young savers, the HLB Earth Hero initiative which combines financial literacy with environmental appreciation allows them to pledge trees to be planted by the Bank in the Lower Kinabatangan area of Borneo. 2,500 trees have since been planted with 2,500 more pending, bringing positive changes in biodiversity in the area with endangered animals repopulating the area. Furthermore, HLB also partnered with the Malaysian Nature Society (“MNS”) to restore degraded forest land by planting approximately 50,000 new mangrove trees in the Kuala Selangor Nature Park. To date, more than 37,000 seedlings were germinated and over 15,000 trees were planted.

In meeting the rising demand from investors with ESG mandates to deploy capital towards socially responsible businesses, HLB and HLISB completed a 3-year socially sustainable securitisation exercise of affordable home loans and financing assets worth a total of RM300 million to Cagamas Berhad. This is in addition to issuing the first Green Additional Tier 1 Capital Securities in Malaysia with nominal value of RM900 million, enabling us to provide financing to more companies which are looking to advance their sustainability agenda.

As it was a very challenging year for our customers and the community, HLB undertook several initiatives to help ease their burden over the course of FY2021 and FY2022 as follows:

- Launched several programmes and waived various fees which provided total savings to customers amounting to RM129 million; and
- Donation of essentials for those affected by floods and provided approximately RM610,000 in funds towards various initiatives such as flood and pandemic related aids, food and grocery support for impoverished students and their families, which positively impacted approximately 41,000 people.

For social procurement, the Bank supported social enterprises such as SURI Lifestyle (“SURI”) and Komuniti Tukang Jahit by engaging them to sew Baju Raya for residents of several welfare homes around the country during the Raya celebrations thereby ensuring continued earnings for the social enterprise and festive cheer for the residents of the homes. In support of Sarawak based Benak Raya, the latest social enterprise to be onboarded onto the Bank’s CSR platform known as HLB Jumpstart, HLB continues to assist them to build a scalable and sustainable business through mentorship, networking as well as equipping them with business tools and skills including logistics management, digital adoption and strengthening brand awareness through marketing, amongst others.

The Bank is also cognisant that financial literacy is a crucial life skill for many Malaysians and hence, rolled out its HLB DuitSmart online workshop to universities and schools impacting a total of 846 students, with many more workshops in the pipeline.

Recognition

HLB's efforts to build solutions around the needs of customers and the community have been recognised with the Best SME Bank in Malaysia 2021 award for the third consecutive year and the Best Cash Management in Malaysia 2021 at the Transaction Finance Awards 2021 by The Asian Banker, overall winner of the Digital CX Awards Best Customer Insights Initiative by the Digital Banker, Company of the Year Award (Banking) for Excellence in COVID-19 Support & Community Welfare by the Sustainability & CSR Awards Malaysia 2021 and, Best Digital Bank in Malaysia by both Asiamoney and The Digital Banker.

The Bank also won the Gold Award in The Asset ESG Corporate Awards 2021: Benchmark Award and was highly commended in the Sustainable Business Awards Malaysia 2020/21, in addition to winning the 3G Leadership in Corporate Governance Award 2022, 3G Best CSR Campaign Award 2022, and the 3G Best Sustainability Disclosure & Reporting Award 2022 by Cambridge IFA.

Business Outlook

Fuda commented, "Overall economic outlook remains uncertain and bumpy, as the recovery momentum was punctuated by persistent inflationary threats stemming from protracted global supply chain disruptions, and risks of aggressive policy normalisation. Despite increasing concerns over a slowdown in the world economy, Malaysia is on track to achieve the upper end of its 5.3% to 6.3% growth projection this year, underpinned by continuous improvement in domestic demand, amid an improving labour market, targeted policy support and borders reopening.

Being digital at the core, we remain dedicated to become a highly digital and innovative ASEAN financial services institution, emphasising on products and services offerings that live up to our brand promise of "Built Around You". In our role as a customer-centric bank, we are resolute in providing steadfast support to both our existing and new clients on their recovery efforts in the endemic phase of the COVID-19 pandemic as well as navigate through the current uncertain economic cycle.

The dynamic business environment will no doubt provide us with new growth opportunities, which we will strive to capture by being adaptive and responding swiftly to the changing landscape. On top of establishing carbon reduction targets with the goal of becoming carbon neutral, the Bank is also committed to promote and integrate ESG factors into our business practices and strategic priorities."

-END-

About Hong Leong Bank Berhad

Hong Leong Bank Berhad is one of the leading financial services organisations in Malaysia. With a heritage of more than 115 years, it provides comprehensive financial services covering consumer banking, business banking and trade finance, treasury, branch and transaction banking, wealth management, private banking and Islamic financial services. Hong Leong Bank, which has won awards for its innovations in the financial services space, also has one of the largest service and distribution network of branches and business centers in Malaysia.

With a proven track record in value creation and a highly recognised brand, Hong Leong Bank has also been extending its footprint in the region, with branches in Singapore and Hong Kong and wholly owned subsidiaries in Vietnam and Cambodia. In China, the Bank is a substantial shareholder in Bank of Chengdu Co., Ltd., Sichuan.

Hong Leong Bank is a subsidiary of Hong Leong Financial Group Berhad, the financial services arm of the Hong Leong Group. Apart from banking, Hong Leong Financial Group is involved in the provision of insurance and takaful, as well as investment banking, unit trust, fund management and stock broking services.

For further information, please visit www.hlb.com.my or contact:

Media:

Vivian Tan

General Manager, Corporate Communication & CSR

DID: 03-2081 8888 ext 61914

Email: VivianTan@hlbb.hongleong.com.my

Investor Relations:

Chow Sheng Wai

Head, Corporate Finance & Investor Relations

DID: 03-2181 2972

Email: IR@hlbb.hongleong.com.my